

Internal Revenue Service, Treasury

§ 301.6316-5

the amount of that currency included in gross income.

(b) *Example.* (1) For the calendar year 1955 Mr. Jones and his wife filed a joint return on which the adjusted gross income is as follows, after amounts received in foreign currency had been properly translated into United States dollars for tax computation purposes:

Fulbright grant received by Mr. Jones in nonconvertible foreign currency	\$8,000	
Dividends received by Mr. Jones entitled to dividends-received credit	500	
Compensation for personal services of Mrs. Jones ..	3,000	
Net profit from business carried on by Mrs. Jones ...	2,500	
Total adjusted gross income	14,000	

(2) The following amounts are allowable as properly deductible from adjusted gross income, no determination being made as to whether or not any part of them is properly allocable to the Fulbright grant:

Deduction for personal exemptions	\$3,000	
Charitable contributions	500	
Interest expense	400	
Taxes	300	
Total allowable deductions	4,200	

(3) For the taxable year the following amounts are allowable as credits against the tax, or as payments on account of the tax:

Foreign tax credit for foreign taxes paid on Fulbright grant	\$300.00	
Dividends-received credit	20.00	
Credit for income tax withheld upon compensation of Mrs. Jones	304.80	
Payments of estimated tax (see § 301.6316-6(b)(2) for determination of amounts):		
U.S. dollars	\$426.32	
Foreign currency	893.88	1,320.20
Total allowable credits and payments	1,945.00	

(4) The portion of the tax which is attributable to amounts received in nonconvertible foreign currency is \$33.49, determined as follows:

Adjusted gross income	\$14,000.00	
Less: Allowable deductions	4,200.00	
Taxable income	9,800.00	
Tax computed under section 2	2,148.00	
Ratio of adjusted gross income received in nonconvertible foreign currency to entire adjusted gross income (\$8,000÷\$14,000) (percent)	57.14	
Portion of tax attributable to nonconvertible foreign currency (\$2,148×57.14 percent)	\$1,227.37	
Less:		
Credit for foreign taxes paid on Fulbright grant	\$300.00	
Payment in foreign currency of estimated tax	893.88	1,193.88

Portion of tax attributable to amounts received in nonconvertible foreign currency	83.49
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§ 301.6316-4 Return requirements.

(a) *Place for filing.* A return of income which includes amounts received in foreign currency on which the tax is paid in accordance with § 301.6316-1 shall be filed with the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225. For the time for filing income tax returns, see sections 6072 and 6081 and §§ 1.6072-1, 1.6081-1, and 1.6081-2 of this chapter (Income Tax Regulations).

(b) *Statements required.* (1) A statement, prepared by the taxpayer, and certified by the foundation, commission, or other person having control of the payments made to the taxpayer in nonconvertible foreign currency, shall be attached to the return showing that for the taxable year involved the taxpayer is entitled to pay tax in foreign currency in accordance with section 6316 and the regulations thereunder. This statement shall disclose the total amount of grants or compensation received by the taxpayer during the taxable year under the authority of section 32(b) of the Surplus Property Act of 1944, as amended (50 U.S.C. App. 1641(b)(2)), or of the Mutual Educational and Cultural Exchange Act of 1961, as amended (22 U.S.C. 2451), or section 104 (h), (j), (k), (o), or (p) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (h), (j), (k), (o), (p)), and the amount thereof paid in nonconvertible foreign currency. It shall also state that with respect to the grant or compensation the applicable percentage requirement of § 301.6316-1 is satisfied.

(2) The taxpayer shall also attach to the return a detailed statement showing (i) the computation, in the manner prescribed by § 301.6316-3, of the portion of the tax attributable to amounts received in nonconvertible foreign currency and (ii) the rates of exchange used in determining the tax liability in U.S. dollars. See paragraph (c) of § 301.6316-5.

§ 301.6316-5 Manner of paying tax by foreign currency.

(a) *Time and place to pay.* The unpaid tax required to be shown on a return

filed in accordance with § 301.6316-4, whether payable in whole or in part in foreign currency, is due and payable to the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225, at the time the return is filed. However, see paragraph (d) of this section with respect to the depositing of the foreign currency with the disbursing officer of the Department of State.

(b) *Certified statement.* Every taxpayer who desires to pay tax in foreign currency under the provisions of § 301.6316-1 shall first obtain the certified statement referred to in paragraph (b)(1) of § 301.6316-4.

(c) *Determination of the tax.* In determining the tax payable for the taxable year in U.S. dollars, the taxpayer, with respect to amounts described in paragraph (a) of § 301.6316-1, or amounts described in paragraph (b) of § 301.6316-1 received before November 1, 1965, shall use the rates of exchange which most clearly reflect the correct tax liability in dollars, whether it be the official rate, the open market rate, or any other appropriate rate. With respect to amounts described in paragraph (b) of § 301.6316-1 received on or after November 1, 1965, the taxpayer shall use the official rate of exchange in determining the tax payable for the taxable year in U.S. dollars. After determining the correct tax liability in U.S. dollars the taxpayer shall then ascertain, in accordance with the principles of § 301.6316-3, the portion of the tax which is attributable to amounts received in nonconvertible foreign currency.

(d) *Deposit of foreign currency with disbursing officer.* (1) After the portion of the tax which is attributable to amounts received in nonconvertible foreign currency is determined in U.S. dollars, the amount so determined shall be deposited in the same nonconvertible foreign currency with the disbursing officer of the Department of State for the foreign country where the fund is located from which the payments in nonconvertible foreign currency are made to the taxpayer. The amount of foreign currency to be deposited shall be that amount which, when converted at the rate of exchange used on the date of deposit by that disbursing officer for the acquisition of

such currency for his official disbursements, equals the portion of the tax so determined in U.S. dollars.

(2) The disbursing officer may rely upon the taxpayer for the determination of the amount of tax payable in foreign currency but may not accept any such currency for deposit until the taxpayer has presented for inspection the certified statement referred to in paragraph (b)(1) of § 301.6316-4. Upon acceptance of foreign currency for deposit the disbursing officer shall give the taxpayer a receipt in duplicate showing the name and address of the depositor, the date of the deposit, the amount of foreign currency deposited, and its equivalent in U.S. dollars on the date of deposit.

(3) Every taxpayer making a deposit of foreign currency in accordance with this paragraph shall attach to the return required to be filed in accordance with § 301.6316-4, in part or full payment of the taxes shown thereon, the original of the receipt given by the disbursing officer and shall pay to the Director of International Operations in U.S. dollars the balance, if any, of the tax shown to be due. Tender of such receipt to the Director of International Operations shall be considered as payment of tax in an amount equal to the U.S. dollars represented by the receipt.

(4) A taxpayer shall make the deposit required by this paragraph in ample time to permit him to attach the receipt to his return for filing within the time prescribed by section 6072 or 6081 and §§ 1.6072-1, 1.6081-1, and 1.6081-2 of this chapter (Income Tax Regulations).

§ 301.6316-6 Declarations of estimated tax.

(a) *Filing of declaration.* A declaration of estimated tax in respect of amounts on which the tax is to be paid in foreign currency under the provisions of § 301.6316-1 shall be filed with the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225, and shall have attached thereto the statements required by paragraph (b) (1) and (2)(i) of § 301.6316-4 in respect of the tax return except that the statement certified by the foundation, commission, or other person having control of the payments to the taxpayer in nonconvertible foreign currency may